F7000-1

OUTLOOK

FOR THE ECONOMY AND REAL ESTATE

By DR. JACK CARLSON
Executive Vice President & Chief Economist
NATIONAL ASSOCIATION OF REALTORS®
777 14th Street, N.W.
Washington, D.C. 20005

October 1984

Outlook For The Economy and Real Estate

Aggregate Economy

The economy appears to have entered a phase of slower, more sustainable growth. After increasing at a compound annual rate of 8.8 percent during the first six months of this year, the U.S. Department of Commerce estimates that real or inflation-adjusted Gross National Product increased at a compound annual rate of 3.6 percent during the third quarter of this year. This "flash" estimate of real GNP growth, which is based on the level of economic activity in July and August, may be revised upward to about 4 percent since it looks as though the economy picked up somewhat in September. Domestic automobile sales during the first twenty days of September were up over August levels while major department store chains also reported increases in sales during the first half of September.

The growth rate of the economy should continue to slow through the end of 1985 as both investment and consumer spending wind down due to high interest rates. Real GNP should increase about 3 percent during the fourth quarter of this year, putting real economic growth for all of 1984 at about 7 percent. By the end of 1985 the economy should experience a "soft landing"--a mild recession lasting just two quarters. Interest rates should peak by that time at levels well below the levels of 1982, resulting in a less severe downturn in real estate activity and for the economy as a whole. This slowdown of the economy should cause private credit demands to subside, allowing interest rates to fall and setting the stage for economic recovery in 1986.

As shown in Table 1, the current recovery has been considerably stronger than the five preceeding recoveries with employment, household income, consumption and all forms of investment increasing faster than in previous recoveries. However, it should be noted that the growth of residential investment was not sufficient to reverse the decline of residential investment as a percentage of GNP. Similarly, while the Accelerated Cost Recovery System enacted in 1981 has contributed to the rise of nonresidential investment as a share of GNP, it is clear that virtually all of that increase is due to the sharp increase in investment in producers' durable equipment rather than structures. In summary, the current recovery and recent government policies have been less favorable for both residential and nonresidential real estate than during previous recoveries.

Employment and Inflation

Conditions in labor markets continue to improve but at a modest pace compared to the first six months of this year. In August, the seasonally adjusted level of employment in non-farm establishments increased by 159,000 compared to an average increase of about 350,000 during the first six months of this year. The civilian unemployment rate held at 7.5 percent in August, the same as in July. The unemployment rate is expected to decline to about 7.2 percent by the end of 1984 but then begin rising again in 1985 as the growth of the economy becomes too slow to absorb all new entrants into the labor force.

Table 1

	Percent Change First Six Quarters of Recovery[1]		Average Percent of GNP During First Six Quarters of Recovery	
	Current Recovery[2]	Average of Five Preceding Recoveries[3]	Current Recovery[2]	Average of Five Preceding Recoveries[3]
Employment	4.1	2.4	-	-
Household Income	4.4	3.5	83.0	79.8
Consumption	5.9	5.3	64.9	61.4
Gross Fixed Private Domestic Investment				
Residential	20.5	17.0	4.0	5.0
Nonresidential	16.4	6.2	10.9	9.3
Structures	6.3	2.6	4.0	3.8
Equipment	21.0	8.8	6.9	5.6

(1) All dollar figures measured in real or inflation-adjusted terms.

(2) Current Recovery 82:4 to 84:2.

(3) Five Preceding Recoveries 75:1 to 76:3, 70:4 to 72:2, 60:4 to 62:2, 58:1 to 59:3, 54:2 to 55:4.

Inflation remains at relatively low levels but should gradually accelerate over the remainder of this year and through 1985 and 1986. During the third quarter the Consumer Price Index (CPI) is expected to increase at a compound annual rate of 3.9 percent, up only slightly from the 3.7 percent annual rate of the second quarter. A major factor behind this low inflation rate has been moderate wage gains and the very high value of the U.S. dollar which has kept import prices low and thereby restrained increases in prices of domestically produced goods and services. The excessive value of the dollar has kept inflation rates down by an estimated 1-1/2 percentage points.

As the economy continues to grow over the next 9 to 12 months inflation should accelerate due to rising capacity utilization and tighter conditions in labor markets and a modest decline in the value of the dollar. By the end of 1985, the CPI should be rising at a seasonally adjusted annual rate of about 5 percent.

Monetary Policy and Interest Rates

Both short and long-term interest rates declined in September in response to the slowing economy accompanied with subsiding private credit demands and a more accommodative stance by the Federal Reserve Board (FED). In early September the FED began to aggressively supply reserves to the banking system, causing the federal funds rate to fall from an average of 11.7 percent during the first week of September to an average of 10.7 during the last week of the month. In response, the yield on 3-month Treasury bills fell about 25 basis points over the month and most major banks reduced their prime rate from 13 percent to 12 3/4 percent. Long-term rates also fell with the yield on 30-year Treasury bonds falling about 40 basis points to 12.3 percent.

There are divergent opinions about where interest rates will go from here. Our analysis suggests that interest rates are likely to further decline during the fourth quarter as the FED responds to the sharp slowdown of the economy and private credit demands continue to ease. However, there is a limit to how accomodative the FED can be before credit markets begin to fear a sharp acceleration in inflation due to too rapid growth of the money supply. Therefore, interest rates should resume their upward trend latter this year and through 1985. The federal funds rate should peak at about 12-1/2 percent in mid-1985 while long term rates should peak later in that year. The commitment rate on 30-year fixed rate mortgages should rise about 50 basis points to the 14-1/2 percent level during the second half of 1985.

Real Estate Markets

Both existing home sales and housing starts continued their downward trends in August in response to high mortgage interest rates. Sales of existing single-family homes declined 1.8 percent to a seasonally adjusted annual rate of 2.72 million units, the fourth consecutive monthly decline. Housing starts fell 12.8 percent in August to a seasonally adjusted annual rate of 1.54 million units.

Both resales and starts should continue to decline through the end of 1985 with resales falling to a seasonally adjusted annual rate of about 2.2 to 2.3 million units by the fourth quarter of 1985 while starts bottom out at 1.5 million unit level. During 1986 there should be modest improvements in housing markets as mortgage rates fall and affordability improves.

Construction of new commercial structures continues to improve but at a much more modest pace than during the first half of this year. For all of 1984, the value of new commercial structures put in place should increase 35 percent, then slowing to about 12 percent in 1985 and 8 percent in 1986. In contrast, the pace of construction of new industrial structures is increasing after a decline of 26 percent in 1983. The value of new industrial structures put in place should increase about 13 percent in 1984, accelerating to about 18 percent in 1985, and then slow to 11 percent in 1986.

Table 2

OCTOBER 1984

U.S. ECONOMIC OUTLOOK

	QUARTERS								YEARS				
	Actual	Forecast							Actual		Forecast		
	84:2	84:3	84:4	85:1	85:2	85:3	85:4	86:1	1982	1983	1984	1985	1986
AGGREGATE ECONOMY													
Gross National Product ($ billions)	3,645	3,707	3,767	3,834	3,891	3,925	3,962	4,034	3,069	3,305	3,668	3,903	4,158
Percent Change	10.7	7.0	6.7	7.3	6.0	3.6	3.8	7.4	3.8	7.7	11.0	6.4	6.5
Percent Change (without inflation)	7.1	3.6	3.0	2.5	1.6	-0.6	-1.0	2.6	-2.1	3.7	7.0	2.2	1.7
Consumption	7.9	1.2	5.1	3.0	1.0	0.3	0.1	0.8	1.4	4.8	5.4	2.6	1.3
Durables	12.0	-1.7	11.9	3.9	-2.9	-5.2	-5.3	-1.8	-0.3	12.1	13.2	2.0	-0.5
Nondurables	10.3	0.4	4.1	2.9	1.7	1.3	1.0	1.1	0.6	3.7	5.1	2.7	1.4
Services	4.6	2.9	3.6	2.9	1.9	1.5	1.4	1.5	2.5	3.4	3.2	2.7	1.8
Residential Investment	1.3	0.3	-12.6	-9.4	-9.8	-7.9	-1.8	11.6	-15.0	41.7	12.3	-7.6	6.0
Nonresidential Investment	21.4	17.8	9.1	6.4	4.4	2.7	0.8	0.8	-4.7	2.5	20.4	7.9	1.7
Structures	21.3	18.3	8.9	8.1	4.2	3.3	2.0	1.4	0.2	-7.8	17.3	8.4	2.3
Equipment	21.2	17.8	9.2	5.8	4.4	2.5	0.4	0.6	-6.8	7.3	21.7	7.6	1.5
Exports	-0.6	14.7	5.0	4.7	5.1	4.7	4.5	5.2	-7.8	-5.6	5.9	5.7	5.5
Imports	8.1	34.4	3.2	3.4	6.8	4.0	2.9	2.0	1.3	7.6	27.5	7.7	2.9
Government Purchases	18.6	7.6	3.8	2.6	2.8	2.8	1.2	3.3	2.0	-0.3	3.6	4.3	2.4
Consumption (% of GNP)	64.9	64.6	64.9	65.0	64.9	65.1	65.2	65.0	65.1	65.8	64.8	65.0	64.8
Residential Investment (% of GNP)	3.7	3.7	3.5	3.4	3.3	3.3	3.3	3.3	2.6	3.5	3.7	3.3	3.5
Nonresidential Investment (% of GNP)	12.4	12.8	13.0	13.1	13.2	13.3	13.4	13.3	11.3	11.1	12.5	13.2	13.2
Structures (% of GNP)	3.5	3.6	3.6	3.7	3.7	3.7	3.8	3.8	3.6	3.2	3.5	3.7	3.7
Equipment (% of GNP)	8.9	9.2	9.3	9.4	9.5	9.6	9.6	9.5	7.7	7.9	9.0	9.5	9.5
Inventory Change ($ billions)	50.6	58.0	40.8	35.9	40.1	25.4	10.6	16.5	-26.1	-13.5	55.8	28.0	19.0
Mfg. Capacity Utilization Rate (%)	82	83	83	83	82	81	80	80	71	75	82	82	80
Auto Sales (millions of units)	10.7	10.5	11.1	11.1	10.6	10.4	10.1	9.9	8.0	9.2	10.7	10.6	10.0
Domestic (% of total)	77.3	76.9	74.2	77.2	75.6	73.4	71.5	71.0	72.3	74.0	76.6	74.5	71.2
Imported (% of total)	22.7	23.1	25.8	22.8	24.4	26.6	28.5	29.0	27.9	26.0	23.4	25.5	28.8
Manufacturing Industrial Production (% change)	8.7	8.1	4.5	4.0	0.0	-2.0	-2.3	1.6	-8.5	7.8	11.7	2.9	1.7
Common Market	-5.0	6.0	7.1	1.7	2.2	3.6	1.8	1.2	-1.4	0.4	3.1	3.1	1.9
Japan	11.1	5.4	8.0	7.3	2.0	1.5	2.3	3.4	0.4	3.5	10.8	5.3	2.6
Employment(millions)(civilian:household basis)	105.1	105.3	106.1	106.8	107.2	107.3	107.3	107.4	99.5	100.8	105.1	107.1	108.1
Unemployment Rate (%) (civilian)	7.5	7.4	7.2	7.2	7.3	7.5	7.9	8.1	9.7	9.6	7.5	7.5	8.1
Personal Income per Household (average)<1>	38,272	38,964	39,420	39,992	40,498	40,897	41,380	42,003	33,698	35,461	38,550	40,692	43,021
Percent Change -- Year Ago (w/o inflation)	5.7	6.0	4.5	2.9	1.7	0.7	0.5	0.4	-0.5	1.5	5.3	1.5	0.9
Personal Taxes per Household (average)	6,903	7,073	7,166	7,257	7,361	7,441	7,542	7,774	6,443	6,486	6,972	7,400	8,009
Percent Change -- Year Ago (w/o inflation)	1.2	6.7	5.5	3.7	2.5	0.9	0.7	2.4	-2.1	-3.0	3.6	1.9	3.3
Percent of Personal Income	18.8	18.9	19.0	19.0	19.0	19.0	19.0	19.3	19.9	19.1	18.9	19.0	19.5
Disposable Income per Household (average)	31,370	31,890	32,254	32,735	33,136	33,456	33,838	34,229	27,256	28,975	31,579	33,291	35,012
Percent Change--Year Ago (w/o inflation)	6.7	5.7	4.2	2.8	1.6	0.8	0.5	0.0	-0.1	2.5	5.6	1.4	0.4
Household Interest Payments (% of total)	10.6	10.4	10.4	10.4	10.5	10.9	10.9	10.7	9.6	9.8	10.4	10.7	10.4
Net Worth per Household (average)	76,106	77,553	79,444	80,989	82,307	83,669	85,206	87,125	66,194	73,935	77,208	83,043	90,546
Percent Change -- Year Ago (w/o inflation)	-0.9	-0.3	1.8	3.1	4.0	3.5	2.6	2.9	-1.8	7.6	0.7	3.3	4.1
Consumer Price Inflation (CPI)	3.7	3.9	3.9	4.6	4.7	4.5	4.9	5.1	6.2	3.2	4.3	4.4	5.0
Gross National Product Inflation (GNP Deflator)	3.3	3.3	3.6	4.7	4.4	4.2	4.9	4.9	6.0	3.8	3.7	4.1	4.8
Personal Consumption Inflation	2.2	3.8	3.4	4.2	4.4	4.4	4.7	4.8	5.9	3.7	3.2	4.0	4.7
Residential Construction Inflation	11.4	1.3	1.9	4.7	5.4	5.4	5.6	6.1	3.0	1.7	3.6	4.4	6.1
Nonresidential Construction Inflation	2.3	1.2	3.4	6.4	6.7	6.4	6.8	6.9	4.9	-1.0	0.4	5.0	6.8
Producers Price Inflation (WPI)	2.6	-0.2	2.3	3.8	3.5	3.4	4.6	5.3	2.0	1.3	2.6	2.9	4.7
Compensation per Manhour (% change)	3.7	3.7	4.9	6.4	5.5	5.3	5.8	6.9	8.0	4.8	4.3	5.3	6.1
Productivity (% change)	4.6	2.5	2.4	1.5	1.1	0.9	0.5	1.0	0.2	3.4	3.1	1.8	1.1
Unit Labor Cost (% change)	-0.8	0.9	2.4	4.9	4.3	4.3	5.2	5.8	7.8	1.3	1.2	3.4	4.9
Unit Capital Cost (% change)	4.7	4.5	4.5	4.3	4.2	4.0	3.8	3.6	9.5	6.9	4.7	4.1	3.4
Before Tax Corporate Profits ($ billions)<2>	254	250	253	245	243	232	221	221	181	213	252	235	233
Corporate Tax Liability	104	103	106	103	102	96	90	92	76	86	104	98	98
After Tax Profits	150	148	146	141	141	136	131	129	105	127	149	137	135
Inventory Valuation Adjustment	-7	-5	-8	-16	-18	-18	-22	-25	-9	-11	-8	-19	-26
Capital Consumption Adjustment	52	57	63	72	76	80	84	86	3	33	55	78	87
Profits from Current Production (with IVA, CCA)	195	200	201	197	199	197	193	189	98	149	195	197	196
Adjusted for Inflation (84:1 base)	194	197	196	190	189	186	180	174	105	153	193	186	178
Percent Change - Year Ago	32.5	20.2	10.6	2.7	-2.2	-5.4	-8.0	-8.0	-14.6	46.0	26.1	-3.3	-4.7
Per Unit of Output (% of GNP)	5.4	5.4	5.3	5.1	5.1	5.0	4.9	4.7	3.2	4.5	5.3	5.0	4.7
Effective Corporate Tax Rate (%)<2>	33	33	33	33	33	31	30	31	39	34	33	32	32
Federal Tax Receipts (Unified basis)	748	690	646	663	848	751	685	694	609	613	676	737	800
Percent of GNP	20.5	18.6	17.1	17.3	21.8	19.1	17.3	17.2	19.8	18.5	18.4	18.9	19.2
Federal Expenditures (Unified basis)	845	819	884	925	940	932	970	999	740	803	847	942	1,020
Percent of GNP	23.2	22.1	23.5	24.1	24.2	23.8	24.5	24.8	24.1	24.3	23.1	24.1	24.5
Surplus or Deficit (Unified basis)	-98	-129	-238	-262	-93	-181	-285	-304	-131	-190	-171	-205	-220
% of GNP	2.7	3.5	6.3	6.8	2.4	4.6	7.2	7.5	4.2	5.8	4.7	5.3	5.3
% of Personal Savings	67.5	80.7	165.7	181.3	62.0	118.7	177.7	185.7	97.8	158.1	114.2	134.9	133.3
% of Net Domestic Savings	31.1	38.8	75.1	83.6	29.2	57.7	91.0	98.0	67.3	80.0	53.6	65.4	69.1

<1> Includes personal contributions for social insurance.
<2> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, and Dick Peach.

Table 3

OCTOBER 1984

REAL ESTATE AND FINANCIAL MARKETS

	QUARTERS								YEARS				
	Actual	Forecast							Actual		Forecast		
	84:2	84:3	84:4	85:1	85:2	85:3	85:4	86:1	1982	1983	1984	1985	1986
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	3,037	2,717	2,647	2,551	2,450	2,351	2,250	2,400	1,948	2,719	2,835	2,401	2,700
Percent Change - Year Ago	9.2	-1.9	-4.0	-13.2	-19.3	-13.5	-15.0	-5.9	-17.2	39.6	4.3	-15.3	12.5
Dollar Volume (billions)	263.2	237.7	227.0	220.8	216.1	211.7	197.3	214.5	156.5	224.5	244.4	211.5	248.7
Existing Home Prices - Median ($1000's)	73.1	74.5	73.5	74.6	76.4	78.2	76.4	78.0	67.7	69.8	73.2	76.4	80.5
Percent Change - Year Ago	4.8	4.8	5.0	4.0	4.4	5.0	3.9	4.6	2.3	3.2	4.9	4.3	5.4
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	673	697	678	693	714	736	709	710	754	633	672	713	725
Percent of Household Income	22	22	22	22	22	23	21	21	28	22	22	22	21
NAR Affordability Index	86.5	83.6	85.4	84.1	81.7	79.0	82.1	81.9	68.4	82.0	85.5	81.7	82.7
New Single-Family Home Sales (thousands)	631	610	590	570	550	530	510	546	417	626	631	540	611
Percent Change - Year Ago	-2.5	3.9	-12.2	-17.5	-12.9	-13.2	-13.5	-4.2	-4.3	50.1	0.7	-14.4	13.1
New Home Prices - Median ($1000's)	80.4	81.0	81.3	82.2	83.3	84.5	85.7	87.1	69.3	75.5	80.2	83.9	89.4
Percent Change - Year Ago	7.2	4.3	7.1	5.5	3.6	4.3	5.4	6.0	0.7	8.9	6.2	4.7	6.5
New Home Prices--Mean ($1000's, Quality Adjusted)	93.5	93.7	93.8	95.4	96.6	97.8	98.8	100.7	87.8	89.7	93.0	97.2	103.0
Percent Change - Year Ago	5.4	3.3	4.0	4.8	3.3	4.4	5.3	5.6	2.8	2.1	3.7	4.5	6.0
New Mortgage Commitments ($ billions)	174.9	158.0	150.4	142.9	131.3	126.1	127.6	133.2	64.8	163.4	168.6	132.0	152.1
Percent Change - Year Ago	13.5	-17.7	-8.3	-25.2	-24.9	-20.2	-15.2	-6.8	8.1	152.1	3.2	-21.7	15.2
Mortgage Debt Outstanding ($ billions)	1,927	1,998	2,069	2,140	2,207	2,275	2,345	2,256	1,629	1,752	1,966	2,242	2,195
Homeowners' Equity ($ billions)	2,769	2,803	2,858	2,902	2,929	2,963	3,010	3,063	2,398	2,587	2,787	2,951	3,158
Housing Inventory (millions)	93.2	93.6	94.0	94.4	94.7	95.1	95.4	95.7	90.6	91.8	93.4	94.9	96.3
Private Housing Starts (thousands)	1,895	1,621	1,638	1,574	1,530	1,481	1,510	1,668	1,056	1,704	1,781	1,524	1,727
Single-Family	1,137	955	1,012	970	939	909	955	1,031	663	1,066	1,096	943	1,075
Percent of Total	60.0	58.9	61.8	61.7	61.4	61.4	63.2	61.8	62.8	62.6	61.4	61.9	62.3
Multi-Family	758	666	625	603	591	572	555	637	394	637	685	580	651
Percent of Total	40.0	41.1	38.2	38.3	38.6	38.6	36.8	38.2	37.2	37.4	38.6	38.1	37.7
Mobile Home Shipments (thousands)	294	291	286	296	293	289	275	284	240	296	292	288	285
Rental Vacancy Rate (%)	5.5	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.3	5.6	5.5	5.4	5.4
Unsold New Homes (% of sales)	48.8	56.5	60.4	61.7	61.1	59.9	59.6	59.3	65.2	43.0	52.3	60.6	59.4
Office Vacancy Rate (%)<1>	13.5	11.5	11.1	10.7	10.4	10.1	9.9	9.7	8.0	11.7	12.3	10.3	9.5
Industrial Vacancy Rate (%)<1>	4.7	4.4	4.2	4.0	3.9	3.8	3.8	3.7	4.4	4.9	4.5	3.9	3.6
New Commercial Building Construction (% Ch Value)	68.5	14.8	6.9	11.1	8.4	4.2	7.1	8.4	9.0	-4.2	35.2	11.7	8.2
New Industrial Building Construction (% Ch Value)	16.4	10.5	26.2	20.0	19.4	11.2	7.0	6.9	2.5	-25.7	12.5	17.5	10.6
FINANCIAL MARKETS													
Money Supply													
M1 (% change)(FED Target 4-8%)	6.3	5.5	6.1	4.6	4.9	5.9	6.9	6.8	6.6	11.0	7.0	5.5	6.2
M1 Velocity (% change)	4.2	1.4	0.5	2.6	1.1	-2.2	-2.8	0.6	-2.6	-3.1	3.8	0.9	0.3
M2 (% change)(FED Target 6-9%)	7.0	6.2	6.9	5.5	4.7	7.1	7.7	6.5	9.5	12.6	7.5	6.1	7.0
M2 Velocity (% change)	3.4	0.8	-0.2	1.8	1.3	-3.3	-3.6	0.8	-5.3	-4.4	3.3	0.3	-0.4
Monetary Base (% change)	9.7	5.3	7.1	5.3	4.7	4.3	4.2	4.7	6.9	9.5	8.2	5.6	5.1
Flow of Funds													
Supply (total)	412	443	421	412	418	417	418	415	212	280	417	416	429
Personal Savings	145	160	144	145	149	153	160	164	136	118	150	152	166
Savings Rate	5.7	6.2	5.4	5.4	5.5	5.5	5.7	5.8	6.2	5.0	5.9	5.5	5.7
Net Business Savings	115	119	119	113	112	108	102	96	29	76	115	109	100
State + Local Govt. Savings	55	54	55	56	56	53	50	50	33	44	54	54	53
Foreign Funds(current account deficit)	98	109	104	98	101	102	105	105	13	42	97	102	109
Demand (total)	398	331	412	405	196	298	414	438	165	325	396	328	365
Consumer Installment Debt(net change)	98	58	47	36	18	15	12	12	19	40	68	20	20
Commercial+Industrial Loans(net change)	86	51	37	20	7	22	34	35	22	-2	49	21	27
Home Mortgage Debt(net change)	116	92	90	88	78	79	83	87	-6	96	108	82	98
Federal Deficit	98	129	238	262	93	181	285	304	131	190	171	205	220
Selected Interest Rates (Percent)													
Mortgage Commitment Rates													
30 Year,Fixed-Rate	14.2	14.4	14.2	14.3	14.4	14.5	14.3	14.0	17.2	13.9	14.1	14.4	13.8
Real Mortgage Rate	10.8	11.1	10.6	9.6	10.0	10.3	9.4	9.1	12.9	10.2	10.5	9.8	8.9
1 Year ARM (without buy-down)	13.2	13.5	12.9	13.6	13.9	13.7	13.3	12.9	14.0	11.3	12.9	13.6	12.2
Real Mortgage Rate	9.9	10.2	9.3	8.9	9.5	9.5	8.4	8.0	9.7	7.5	9.2	9.1	7.3
Corporate Bond Rate (AAA)	13.2	13.0	12.6	12.7	12.8	12.9	12.7	12.4	13.8	12.0	12.8	12.8	12.3
Government Bond Rate	13.2	12.5	12.1	12.2	12.3	12.4	12.2	11.9	12.9	11.3	12.5	12.3	11.8
Real Government Bond Rate	9.9	9.2	8.5	7.5	7.9	8.2	7.3	7.0	8.7	7.6	8.8	7.7	6.8
Federal Funds Rate	10.6	11.5	11.2	12.0	12.4	12.2	11.9	11.4	12.3	9.1	10.7	12.1	10.8
3 Month Treasury Bill Rate	9.8	10.3	10.1	10.9	11.3	11.1	10.8	10.4	10.6	8.6	9.8	11.0	9.7
Real 3 Month T-Bill Rate	6.5	7.0	6.5	6.2	6.9	6.9	5.9	5.5	6.4	4.8	6.2	6.5	4.8
1 Year Treasury Bill Rate	11.5	11.8	11.2	11.9	12.2	12.0	11.6	11.2	12.3	9.6	11.2	11.9	10.5
Commercial Paper Rate	10.6	11.3	11.0	11.7	12.1	12.0	11.7	11.2	11.9	8.9	10.6	11.9	10.6
Rate on Money Market Fund Shares	10.8	11.5	11.2	11.9	12.3	12.2	11.9	11.4	12.1	9.0	10.8	12.1	10.7
Prime Rate	12.3	13.0	12.9	13.5	13.9	14.0	13.7	13.1	14.9	10.8	12.3	13.8	12.3

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, and Dick Peach.